



Board: 2/24/09  
ITEM: 8.3

## Memorandum

TO: City Council

FROM: Councilmembers Rose Herrera,  
Sam Liccardo and Nancy Pyle

SUBJECT: SAN PEDRO SQUARE  
URBAN MARKET

DATE: February 20, 2009

Approved

Date

  
Recommendation

Approve staff recommendations on the Building Rehabilitation and Loan Agreement with Urban markets, LLC, for improvements related to the San Pedro Square Urban Market.

### Background

San Jose's leaders, and its residents, have recognized the imperative and extraordinary benefit of taking the "long view," even in economic crises like that which we currently face. Our recent decisions to move forward with major capital investments—in BART, a convention center expansion, high-speed rail, a rebuilt hospital and new medical clinic—serve to help generate job creation in the short run, while upgrading our overwhelmed physical infrastructure for future economic growth. This speaks volumes about what makes Silicon Valley uniquely prepared for the dawn that will follow the current economic maelstrom.

The Agency Board again faces the prospect of a smaller, but still substantial, investment: an urban market in the heart of our downtown. This project has widespread support of those most likely to patronize its vendors: downtown residents and workers. At a recent neighborhood meeting of the San Jose Downtown Residents Association, every single one of the roughly three dozen persons in attendance indicated their support for the redevelopment investment in the San Pedro Urban Market, understanding fully its direct and indirect economic and social impacts and ability to create a vibrant, vital economy.

This compels careful analysis of each of the components of the deal, to ensure that this project meets our goals for downtown development, and that in the worst-case scenario, the Agency and taxpayers' interests are protected. With regard to the \$1 million in streetscape improvements, that investment applies wholly to City-owned property, and the City will retain the benefit of correcting the decades-old urban design flaws of San Pedro Street, regardless of the success of the project.

The \$2.5 million loan is secured by the title to the two properties at question, the collective value greatly exceeds the \$2.5 million loan amount. In the event of default, the Agency will take title to those buildings, and will be made whole.

Finally, the \$2.5 million grant for preservation of two buildings appears consistent with the Agency's past investment of over \$140 million in historic preservation throughout the downtown. The grant will also pay to upgrade the area around the historic Peralta Adobe—perhaps the oldest still-standing European settlement in the State of California—and the renovations to the El Dorado building, a century-old, historic designation-eligible structure. Several rehabilitation projects have received Agency grants on the order of \$1 to \$3 million for preserving historic facades and structures in recent years. Should the urban market project fail, future generations will have benefited by the preservation of those buildings and the improvements around the Peralta Adobe. Any appreciation resulting from the building improvements will be used, upon sale, to pay off the Agency and other creditors.

Of course, this "worst-case" analysis overlooks the extraordinary benefits to the downtown—and to the entire city—if this project succeeds. For reasons that have been amply described in three prior public council meetings, including the need to improve the vibrancy and livability of the downtown, to attract high-rise dwellers to the core, to spur retail development in a severely under-retailed area of the city, and to generate more customers for the existing businesses in the surrounding area. Many of those benefits are not reflected in the cost-benefit analysis before us because they cannot be readily quantified, even where they produce real economic gains to the city. We look forward to bringing these long sought-after benefits to the downtown.